



Human Resources Division

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December 14, 2005

AGENDA ITEM 14

TO: MEMBERS OF THE BOARD

- I. SUBJECT:** Executive Compensation Consultant RFP: Interview of Finalists and Award of Contract
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** That the Board:
 - 1) Interview Selected Finalists for Executive Compensation Consultant Contract Award
 - 2) Rank Interviewed Finalists for Interview Scoring Purposes and Allocate Interview Scores Proportionate to Ranking
 - 3) Award the Contract under RFP No. 2004-3560 to the Finalist Having the Highest Total Score, Subject to Negotiation and Satisfaction of all Requirements; Should Negotiations Fail with the Selected Finalist, the Contract will be Awarded to the Proposer Having the Second Highest Total Score, Subject to Negotiation and Satisfaction of all Requirements.

IV. ANALYSIS:

In March 2005, the Board approved the issuance of a Request for Proposal (RFP) for an Executive Compensation Consultant. The RFP process was delegated to staff with the direction that the Board, upon recommendation of the Performance and Compensation Committee, would determine the number of finalists and select the finalists for interviews. Interviews of the finalist firms are to be performed either at the Committee or Board level, at the Board's discretion, upon recommendation by the Committee.

An evaluation panel which included the Chair of the Performance and Compensation Committee conducted an assessment of the proposals and created a ranked list of the three firms that submitted proposals in response to the RFP. The RFP Evaluation panel has suggested to the Performance and Compensation Committee that it recommend the Board designate all three firms as finalists and further, that the Board interview the selected finalists at its meeting on December 14, 2005, and award the contract to the finalist having the highest total score.

The abbreviated timeframe is due to the need for the consultant's services. The selected firm must be prepared to conduct the next regular Biennial Salary Survey in March or April of 2006. In addition, the Board has expressed the desire to have the Executive Compensation Consultant available to provide advice on compensation issues related to the recruitment for a new Chief Investment Officer, which will be commencing very shortly.

If the Board approves the recommendations for selection and interview of finalists for the Executive Compensation Consultant contract award at the December 14 meeting, as outlined above, information regarding the format, duration and scoring of the presentations will be provided at the meeting.

V. STRATEGIC PLAN:

Under Goal II of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. Under Goal IV, the organization is dedicated to effectively utilizing its resources, including a diverse, creative and motivated workforce. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key executive personnel.

VI. RESULTS/COSTS:

The cost of executive search services in connection with any recruitment will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer - Operations